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COMMISSIONERS

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CORP COMMISSION
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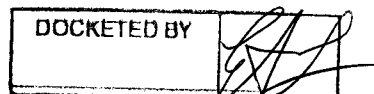
ORIGINAL

IN THE MATTER OF THE APPLICATION OF
TABLE TOP TELEPHONE COMPANY, INC., A
NEVADA CORPORATION, FOR A HEARING
TO DETERMINE THE EARNINGS OF THE
COMPANY, THE FAIR VALUE OF THE
COMPANY FOR RATEMAKING PURPOSES,
AND TO INCREASE RESIDENTIAL RATES AS
NECESSARY TO COMPENSATE FOR THE
RATE IMPACTS OF THE FCC'S USF/ICC
TRANSFORMATION ORDER

DOCKET NO. T-02724A-13-0416

**RESPONSE TO PROCEDURAL
ORDER** Arizona Corporation Commission
DOCKETED

AUG 22 2014



1 Table Top Telephone Company, Inc. ("Table Top") hereby responds to the following
2 requests in Judge Rodda's August 7, 2014, Procedural Order in the above-captioned docket.

3 Specifically, the Order stated that Table Top:

4 should update its schedules to show the pro forma effects on revenues if
5 residential access rates are increased to \$16, \$18 and \$20, and to also show the
6 effect on operations if residential rates remain at \$14/month and the federal
7 benchmark is \$16, \$18 and \$20/ month; and shall update the exhibit that shows a
8 typical residential rate at the requested rates.

9 Attached hereto is a sheet summarizing returns for each of the six cases, followed by a
10 revised exhibit that shows total residential rates at the \$16, \$18, and \$20 base rates, detailed rate
11 design exhibits at the three rates, and exhibits that detail the loss of high-cost loop support at the
12 new benchmarks if rates were not raised.

13 The requested increases (to \$16, \$18, and \$20) are just and reasonable because, if they
14 were not authorized, Table Top would lose federal high-cost loop support funds and further
15 reduce revenues below the levels that would be required for Table Top to earn its authorized rate
16 of return.

1 Respectfully submitted on August 22, 2014.
2
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4

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Original and 13 copies filed
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Table Top Telephone Company, Inc.

REGULATED 2012 RESULTS OF OPERATIONS
REFLECTS CHANGES EFFECTIVE WITH ARC AND CAF IMPLEMENTATION - YEAR 2
COMPARISON OF VARIOUS RATE AND BENCHMARK SCENARIOS

	INTRASTATE Base Case	INTRASTATE Case 1	INTRASTATE Case 2	INTRASTATE Case 3	INTRASTATE Case 4	INTRASTATE Case 5	INTRASTATE Case 6
Assumed Actual Rate	\$ 14.00	\$ 16.00	\$ 18.00	\$ 20.00	\$ 14.00	\$ 14.00	\$ 14.00
Assumed Benchmark Rate	\$ 14.00	\$ 16.00	\$ 18.00	\$ 20.00	\$ 16.00	\$ 18.00	\$ 20.00
	(f)	(f)	(f)	(f)	(f)	(f)	(f)
1 Local	1,263,997	1,263,997	1,263,997	1,263,997	1,263,997	1,263,997	1,263,997
2 Universal Service Fund (USF-HCL) and Safety Net Additive (SNA)	2,579,847	2,579,847	2,579,847	2,579,847	2,579,847	2,579,847	2,579,847
3 Access Revenues	508,829	508,829	508,829	508,829	508,829	508,829	508,829
4 Billing & Collecting	6,418	6,418	6,418	6,418	6,418	6,418	6,418
5 Other Misc., Uncollectibles	29,626	29,626	29,626	29,626	29,626	29,626	29,626
6 Total Operating Revenues	4,388,717	4,388,717	4,388,717	4,388,717	4,388,717	4,388,717	4,388,717
7 Plant Specific Expenses	767,778	767,778	767,778	767,778	767,778	767,778	767,778
8 Plant Nonspecific Expenses	299,712	299,712	299,712	299,712	299,712	299,712	299,712
9 Depreciation & Amortization Expenses	1,248,092	1,248,092	1,248,092	1,248,092	1,248,092	1,248,092	1,248,092
10 Customer Operations Expenses	202,390	202,390	202,390	202,390	202,390	202,390	202,390
11 Corporate Operations Expenses	516,193	516,193	516,193	516,193	516,193	516,193	516,193
12 Other Operating Taxes and (Income)	216,166	216,166	216,166	216,166	216,166	216,166	216,166
13 Nonregulated Adjustment							
14 Total Operating Expenses	3,250,331	3,250,331	3,250,331	3,250,331	3,250,331	3,250,331	3,250,331
15 OPERATING RETURN BEFORE TAXES	1,138,386	1,138,386	1,138,386	1,138,386	1,138,386	1,138,386	1,138,386
16 State Income Taxes (SIT) (6.97%)	60,585	60,585	60,585	60,585	60,585	60,585	60,585
17 Federal Income Taxes (FIT) (35%)	275,024	275,024	275,024	275,024	275,024	275,024	275,024
18 Total Operating Income Taxes	335,609	335,609	335,609	335,609	335,609	335,609	335,609
19 Total Expenses and Income Taxes	3,585,940	3,585,940	3,585,940	3,585,940	3,585,940	3,585,940	3,585,940
20 Net Operating Income	802,777	802,777	802,777	802,777	802,777	802,777	802,777
21 Total Year-End Avg Rate Base	11,808,512	11,808,512	11,808,512	11,808,512	11,808,512	11,808,512	11,808,512
22 Return on Rate Base (Ln 20 / Ln 21)	6.80%	6.80%	6.80%	6.80%	6.80%	6.80%	6.80%
23 Estimated Revenue from Local Rate Increase	0	44,486	98,352	157,920	0	0	0
24 Estimated Annual Reduction in High-Cost Loop Support	0	0	0	0	44,486	98,352	157,920
25 State Income Taxes (SIT) (6.97%)	-	3,100	6,853	11,004	(3,100)	(6,853)	(11,004)
26 Federal Income Taxes (FIT) (35%)	-	14,071	31,110	49,951	(14,071)	(31,110)	(49,951)
27 Increase in Net Operating Income	0	27,315	60,399	96,965	-27,315	-60,399	-96,965
28 Net Operating Income After Increase (Ln 20 + Ln 26)	802,777	830,092	863,166	899,742	775,462	742,388	705,812
29 Return on Rate Base After Increase (Ln27 / Ln21)	6.80%	7.03%	7.31%	7.62%	6.57%	6.29%	5.98%

Table Top Telephone Company, Inc.

Typical Charges for Subscribers to Basic Residential Service Comparison of Effect in Various Rate Scenarios

	<u>Base Case</u>	<u>Case 1</u>	<u>Case 2</u>	<u>Case 3</u>
Residential Telephone Service	\$ 14.00	\$ 16.00	\$ 18.00	\$ 20.00
Subscriber Line Charge	6.50	6.50	6.50	6.50
Access Recovery Charge	1.50	1.50	1.50	1.50
AZ 911 Excise Tax	0.20	0.20	0.20	0.20
AZ Universal Service Fund	0.01	0.01	0.01	0.01
Federal Excise Tax	0.66	0.72	0.78	0.84
Federal Universal Service Fund	1.26	1.26	1.26	1.26
State Sales Tax	0.78	0.90	1.01	1.12
ACC Tax	0.03	0.03	0.04	0.04
AZ Telephonic Device Fee	0.15	0.18	0.20	0.22
Total Basic Residential Service Bill	\$ 25.09	\$ 27.30	\$ 29.50	\$ 31.69

Note: Subscribers also pay the following additional taxes and fees related to local laws

- A. Subscribers pay various County taxes ranging from 0.50% to 1.125%
 1. At \$14.00, the tax amounts range from 7¢ to 16¢
 2. At \$16.00, the tax amounts range from 8¢ to 18¢
 3. At \$18.00, the tax amounts range from 9¢ to 20¢
 4. At \$20.00, the tax amounts range from 10¢ to 23¢
- B. Subscribers located within the Navajo Nation in the Sanders exchange also pay an additional 5.0% to their respective Chapter House
 1. At \$14.00, the tax amount is 70¢
 2. At \$16.00, the tax amount is 80¢
 3. At \$18.00, the tax amount is 90¢
 4. At \$20.00, the tax amount is \$1.00

Table Top Telephony Company, Inc.

Proposed Rate Design
June 30, 2013 Average Units*

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)
Service Description	Average Units**	Current Rates	Current Zone Charge	2011 Annual Revenues	Rates	Proposed		Proposed Change	
						Zone Charge	Revenues	Revenue	Percent
Basic Service									
Residence Within the Base Rate Area (R1)	1,802	\$ 14.00	\$ -	\$ 302,736	\$ 16.00	\$ -	\$ 345,984	\$ 43,248	14.29%
Residence in Zone 1 (RZ1)	86	\$ 14.00	\$ 0.80	\$ 15,274	\$ 16.00	\$ -	\$ 16,512	\$ 1,238	8.11%
Residence in Zone 2 (RZ2)	594	\$ 14.00	\$ 2.80	\$ 119,750	\$ 16.00	\$ 0.80	\$ 119,750	\$ -	0.00%
Estimated Revenue from Local Rate Increase								<u>\$ 44,486</u>	

Notes:

*Average units (7/12-6/13) are used to capture seasonal fluctuations.

** No Reduction Made for Line Loss

Residential Lines		Year	Type	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2011	R1	1,863	1,871	1,860	1,842	1,832	1,832	1,832	1,832	1,829	1,826	1,819	1,810	1,813	1,813
2011	RZ1	106	106	105	105	106	105	106	105	106	100	101	101	100	98
2011	RZ2	655	653	657	648	643	641	643	641	644	641	635	637	637	632
2011 Total		2,624	2,630	2,622	2,595	2,581	2,578	2,581	2,578	2,579	2,567	2,555	2,548	2,550	2,543
2012	R1	1,832	1,843	1,839	1,811	1,797	1,784	1,797	1,784	1,778	1,769	1,782	1,785	1,802	1,805
2012	RZ1	97	95	97	96	95	94	95	94	90	89	89	87	88	88
2012	RZ2	635	633	624	615	614	609	614	609	600	604	599	605	608	606
2012 Total		2,564	2,571	2,560	2,522	2,506	2,487	2,506	2,487	2,468	2,462	2,470	2,477	2,498	2,499
2013	R1	1,824	1,835	1,827	1,806	1,805	1,801	1,805	1,801	-	-	-	-	-	-
2013	RZ1	87	86	84	83	81	80	81	80	-	-	-	-	-	-
2013	RZ2	602	602	595	581	569	559	569	559	-	-	-	-	-	-
2013 Total		2,513	2,523	2,506	2,470	2,455	2,440	2,455	2,440	-	-	-	-	-	-

Table Top Telephony Company, Inc.

Proposed Rate Design

June 30, 2013 Average Units*

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)
Service Description	Average Units**	Current Rates	Current Zone Charge	2011 Annual Revenues	Rates	Proposed		Proposed Change	
						Zone Charge	Revenues	Revenue	Percent
Basic Service									
Residence Within the Base Rate Area (R1)	1,802	\$ 14.00	\$ -	\$ 302,736	\$ 18.00	\$ -	\$ 389,232	\$ 86,496	28.57%
Residence in Zone 1 (RZ1)	86	\$ 14.00	\$ 0.80	\$ 15,274	\$ 18.00	\$ -	\$ 18,576	\$ 3,302	21.62%
Residence in Zone 2 (RZ2)	594	\$ 14.00	\$ 2.80	\$ 119,750	\$ 18.00	\$ -	\$ 128,304	\$ 8,554	7.14%
Estimated Revenue from Local Rate Increase								\$ 98,352	

Notes:

*Average units (7/12-6/13) are used to capture seasonal fluctuations.

** No Reduction Made for Line Loss

Residential Lines												
Year	Type	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
2011	R1	1,863	1,871	1,860	1,842	1,832	1,832	1,829	1,826	1,819	1,810	1,813
2011	RZ1	106	106	105	105	106	105	106	100	101	101	100
2011	RZ2	655	653	657	648	643	641	644	641	635	637	637
2011 Total		2,624	2,630	2,622	2,595	2,581	2,578	2,579	2,567	2,555	2,548	2,550
2012	R1	1,832	1,843	1,839	1,811	1,797	1,784	1,778	1,769	1,782	1,785	1,802
2012	RZ1	97	95	97	96	95	94	90	89	89	87	88
2012	RZ2	635	633	624	615	614	609	600	604	599	605	608
2012 Total		2,564	2,571	2,560	2,522	2,506	2,487	2,468	2,462	2,470	2,477	2,498
2013	R1	1,824	1,835	1,827	1,806	1,805	1,801	-	-	-	-	-
2013	RZ1	87	86	84	83	81	80	-	-	-	-	-
2013	RZ2	602	602	595	581	569	559	-	-	-	-	-
2013 Total		2,513	2,523	2,506	2,470	2,455	2,440	-	-	-	-	-

Table Top Telephony Company, Inc.

Proposed Rate Design
June 30, 2013 Average Units*

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)
Service Description	Average Units**	Current Rates	Current Zone Charge	2011 Annual Revenues	Rates	Proposed		Proposed Change	
						Zone Charge	Revenues	Revenue	Percent
Basic Service									
Residence Within the Base Rate Area (R1)	1,802	\$ 14.00	\$ -	\$ 302,736	\$ 20.00	\$ -	\$ 432,480	\$ 129,744	42.86%
Residence in Zone 1 (RZ1)	86	\$ 14.00	\$ 0.80	\$ 15,274	\$ 20.00	\$ -	\$ 20,640	\$ 5,366	35.14%
Residence in Zone 2 (RZ2)	594	\$ 14.00	\$ 2.80	\$ 119,750	\$ 20.00	\$ -	\$ 142,560	\$ 22,810	19.05%
Estimated Revenue from Local Rate Increase								\$ 157,920	

Notes:

*Average units (7/12-6/13) are used to capture seasonal fluctuations.

** No Reduction Made for Line Loss

Residential Lines													
Year	Type	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2011	R1	1,863	1,871	1,860	1,842	1,832	1,832	1,829	1,826	1,819	1,810	1,813	1,813
2011	RZ1	106	106	105	105	106	105	106	100	101	101	100	98
2011	RZ2	655	653	657	648	643	641	644	641	635	637	637	632
2011 Total		2,624	2,630	2,622	2,595	2,581	2,578	2,579	2,567	2,555	2,548	2,550	2,543
2012	R1	1,832	1,843	1,839	1,811	1,797	1,784	1,778	1,769	1,782	1,785	1,802	1,805
2012	RZ1	97	95	97	96	95	94	90	89	89	87	88	88
2012	RZ2	635	633	624	615	614	609	600	604	599	605	608	606
2012 Total		2,564	2,571	2,560	2,522	2,506	2,487	2,468	2,462	2,470	2,477	2,498	2,499
2013	R1	1,824	1,835	1,827	1,806	1,805	1,801	-	-	-	-	-	-
2013	RZ1	87	86	84	83	81	80	-	-	-	-	-	-
2013	RZ2	602	602	595	581	569	559	-	-	-	-	-	-
2013 Total		2,513	2,523	2,506	2,470	2,455	2,440	-	-	-	-	-	-

Table Top Telephone Company, Inc.

Proposed Rate Design

Estimated Reduction in Federal High-Cost Loop Support

7/12 to 6/13 Average Residence One-Party Under Benchmark		1,888
FCC Benchmark Rate	16.00	
Present Average Rate	<u>14.04</u>	
Deficiency in Rate		<u>1.96</u>
Reduction in High Cost Loop Support per month		<u><u>3,707.17</u></u>
Reduction in High Cost Loop Support per year		<u><u>44,486.00</u></u>

Table Top Telephone Company, Inc.

Proposed Rate Design

Estimated Reduction in Federal High-Cost Loop Support

7/12 to 6/13 Average Residence One-Party Under Benchmark	2,482
FCC Benchmark Rate	18.00
Present Average Rate	<u>14.70</u>
Deficiency in Rate	<u>3.30</u>
Reduction in High Cost Loop Support per month	<u>8,196.00</u>
Reduction in High Cost Loop Support per year	<u>98,352.00</u>

Table Top Telephone Company, Inc.

Proposed Rate Design

Estimated Reduction in Federal High-Cost Loop Support

7/12 to 6/13 Average Residence One-Party Under Benchmark		2,482
FCC Benchmark Rate	20.00	
Present Average Rate	<u>14.70</u>	
Deficiency in Rate		<u>5.30</u>
Reduction in High Cost Loop Support per month		<u>13,160.00</u>
Reduction in High Cost Loop Support per year		<u>157,920.00</u>